

**MINUTES OF THE  
BUSINESS, ECONOMIC DEVELOPMENT, & LABOR  
APPROPRIATIONS SUBCOMMITTEE  
Room 210, Senate Building  
February 7, 2013**

**Members Present:** Sen. Brian E. Shiozawa, Senate Chairman  
Rep. Jim Bird, House Chairman  
Rep. Stewart E. Barlow, House Vice Chair  
Sen. Curtis S. Bramble  
Sen. Wayne A. Harper  
Sen. Scott K. Jenkins  
Sen. Stuart C. Reid  
Rep. Patrice M. Arent  
Rep. James A. Dunnigan  
Rep. Jeremy A. Peterson  
Rep. Val L. Peterson  
Rep. Angela Romero  
Rep. V. Lowry Snow  
Rep. Ryan D. Wilcox

**Members Absent:** Sen. Gene Davis  
Sen. Jerry W. Stevenson  
Rep. Dixon M. Pitcher  
Rep. Brad R. Wilson

**Staff Present:** Dr. Andrea Wilko, Chief Economist  
Mr. Zackery King, Fiscal Analyst  
Ms. Rosemary Young, Committee Secretary

Note: A list of visitors and copy of handouts will be filed with committee minutes.

Sen. Shiozawa called the meeting to order at 8:02 a.m.

**MOTION:** Rep. Romero moved to approve the minutes of the January 31, 2013 meeting. The motion passed unanimously with Rep. Dunnigan and Rep. Barlow absent for the vote.

**Financial Institutions**

Fiscal Analyst, Zackery King, reviewed the Budget Brief of the Department of Financial Institutions reminding the committee that the department regulates state-chartered deposit taking institutions including: banks, savings and loan associations, credit unions, and industrial loan banks. Also regulated are: third-party payment providers, independent escrow companies, payday lenders, title lenders, and mortgage loan servicers operating in Utah. The budget for the department is made up entirely of annual assessments upon the institutions it regulates and examines which are deposited in the Financial Institutions Restricted Fund. Further detail including the fee schedule may be found online by going to the Legislature home page and this committee.

Edward Leary, Commissioner of the Department of Financial Institutions, began by addressing an error on the FY 2014 Fee Schedule Issue Brief. On page 1, item 1791 the amount should be "2" in the Quantity column, and item 1792 should be "55" in the Quantity column. Mr. Leary reminded the committee that there are state chartered and federally chartered banking institutions. The Agency only regulates state chartered institutions, and these entities have the choice as to which charter they will be under. Referencing a handout, it was pointed out that since June 30, 2008, the high-water mark, the number of institutions has decreased from 112 to 92, and the total assets have decreased from \$252 billion to \$232 billion as of September 30, 2012. The holdings of the 28 commercial banks and 19 industrial banks of about \$230 billion makes Utah seventh in the nation in assets under administration. The majority of employees of the department are field examiners who go into institutions at least once a year. If there are concerns, visits may be more often. At present Utah is the only state which is doing the separate exam for compliance to consumer protection laws. In 2012 the department conducted 88 safety and soundness examinations. There were 38 follow-up examinations and 59 specialty examinations including holding companies, information technology and compliance exams. Visits are made with every pay-day lending store in the state. Efforts are made to cooperate with federal agencies. The annual report is available online. Generally speaking banking reflects the local economy.

There was discussion about regulation of pay-day lender entities especially those who are only online. The department encourages borrowers to work with lenders who are registered with the state. The department was questioned about the possibility that their workload decreases with the decrease in the number of institutions under jurisdiction. In fact, the work load increases dramatically during a down turn as examiners do more frequent, longer exams with larger teams. Training has become a primary demander of resources, as it takes three to five years to train an examiner to be really productive. Often after 10 to 12 years the examiners are lost to the federal government or to banking institutions.

Concerns of the department: 1. The massive onslaught of new regulations coming from Dodd-Frank necessitating major adjustments for the banks creates a great burden for the institutions and the regulators. 2. Keeping trained personnel is a problem. At present a quarter of examiners are new. 3. A way needs to be found to be able to devote more resources to the larger institutions. Little ones take a disproportionate amount of time. 4. Because of the new regulations there is pressure for the institutions to merge or sell. 5. Supervising compliance in the consumer protection arena is a challenge.

### **Public Service Commission**

Analyst King reviewed the Budget Brief of the Public Service Commission, pointing out the request for an ongoing increase of \$159,200 from the Commerce Service Fund which is included in the FY 2014 budget total. A new federal grant is available in the amount of \$112,000 from the National Deaf-Blind Equipment Distribution Program to assist individuals with these disabilities to integrate into society with job skills training. This is a FY 2013 supplemental and FY 2014 ongoing request. Two ARRA grants: State Broadband Data and Development Program and Regulatory Assistance for PSC have increases being requested. Also discussed were Budget Briefs of the Universal Telecommunications

Support Fund and Speech and Hearing Impaired and the Issue Brief concerning previous intent language.

Gary Widerburg, Public Service Commission Secretary, reported that about 200,000 individuals, certified to be qualified, are served by the Relay Utah program. A request was made for more information about this program.

Ron Allen, Public Service Commission Chairman, with a handout reviewed the history of the commission and its mission and the need to balance service and cost. Twenty persons are employed which is very few as compared to surrounding states. Rocky Mountain Power and Questar are the main utilities regulated. There has been an increase in the number of rate change cases for both of these utilities. Natural gas prices are down and Utah is plentiful in this resource. The main source of power is coal at 59%, but the percentage from renewable sources is rising and is now at 12%. Utah is about 4th lowest in the nation in retail price for electricity and 3rd lowest in natural gas. These numbers are appealing for economic development. The annual report is available on line.

There was discussion about the future of capture of methane gas from land fills and other possible alternative sources of energy. The commission does not regulate natural gas at filling stations. The FCC is going to be shifting funding to broadband and highspeed internet, but most Utahns already have access to highspeed internet. Still there are areas in Utah who need to keep plain old telephone service going. Solar subsidies and the fact that some are failing but that the price of panels is falling was discussed. The request for non-lapsing funds was reemphasized.

**MOTION:** Rep. Bird moved to adjourn. The motion passed unanimously with Rep. Dunnigan and Rep. Barlow absent for the vote.

Sen. Shiozawa adjourned the meeting at 9:14 a.m.

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Sen. Brian E. Shiozawa, Chair

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Rep. Jim Bird, Chair